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## Insurance Risk Management Programs Assist Design-Build Project Contractors

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**Design-Build is a project delivery contracting method within the construction industry.** An owner enters into a contract with a Contractor or Design-Builder for the complete design and construction of a particular project. It is prudent for the design-builder to assess the responsibilities and risks they will assume under the design-build agreement and determine how best to manage those risks. A design-builder will assume certain risks, insure others, and transfer risk to design professionals and trade sub-contractors.

The design-builder should secure professional liability insurance for all professional services assumed under its contract with the owner. Available options are a professional liability "annual practice policy" or a "project-specific policy." An annual practice policy provided by a specialty insurance carrier is claims made coverage that responds to professional liability claims reported within the policy period, up to the policy limits, on an annual basis. A project-specific policy is issued to cover the professional exposure of all named design professionals, for one specific project for the duration of the project and through an extended reporting period. Project specific policies are well-suited for projects executed through the design-build delivery method.

Many insurance companies underwriting project specific liability coverage offer risk management programs that can assist with the review of contracts and the assessment claims, mitigation, as well as management and monitoring throughout the duration of the project. An insurance risk management program may include such invaluable services as:

- Preliminary risk appraisal, including review of all contracts and subcontracts, including associated Requests for Qualifications (RFQs) and Requests for Proposals (RFPs) and an evaluation of whether the contract terms adequately transfer risks to the party most able to address the risk.
- Development of procedures to evaluate and monitor key elements of a project to determine whether the project is within scope and budget and on schedule. The specific criteria measured may address project type and scope, cost, and project participants, including owner, contractor, design team and financier, budget and schedule.
- Dedicated insurance program manager may be appointed to provide legal counsel and claims management at no additional cost to the insured team.
- Regular monitoring and reporting with regard to claims status and resolution.





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Specialty, experienced project specific insurance carriers can tailor a program with bespoke policy terms and conditions. Such programs should be designed to be minimally intrusive on the project members, while enabling the insureds to resolve matters early so that the project is completed smoothly, on time and within budget.

Benefits to the design-build team on the specific project can be significant. Utilization of a dedicated risk management program has been proven to result in the mitigation of outsize claims, minimization of party conflict and reduced exposure to costly litigation on design-build construction projects of all sizes and complexities.

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